Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, DC 20554

In the Matter of	)	
	)	
High-Cost Universal Service Support	)	WC Docket No. 05-337
	)	
Federal-State Joint Board on Universal Service	)	CC Docket No. 96-45
	)	
Request for Review of Decision of Universal Service Administrator by Corr Wireless Communications, LLC	)	

COMMENTS OF SPRINT NEXTEL CORPORATION

Sprint Nextel Corporation ("Sprint") hereby respectfully submits its comments on the Notice of Proposed Rulemaking ("NPRM") released on September 3, 2010 (FCC 10-155) in the above-captioned proceedings.[1]

In this NPRM, the Commission has proposed amending the interim cap rule so that, if a competitive ETC ("CETC") relinquishes its ETC status in a state, the cap amount for that state is reduced by the amount of support that the CETC was eligible to receive in the final month of eligibility, annualized (NPRM, para. 23). This proposal is in the public interest and should be adopted.

---

[1] This NPRM was attached to an order ("*Implementation Order*") implementing the Sprint and Verizon Wireless CETC phase-out requirements.

The Commission also has proposed to amend section 54.709(b) of its rules to enable it to direct USAC to reserve reclaimed funds as the Commission considers broadband universal service reform (NPRM, para. 24). While Sprint has supported a broadband support mechanism, the current dysfunctional high cost fund is not the appropriate mechanism. Until a more competitively neutral broadband funding mechanism is established, the Commission should focus on reducing the size of the existing USF fund. Rather than reserving any unallocated dollars as a down payment for a yet-to-be adopted broadband fund(s), foregone high-cost USF support should be used to reduce the USF contribution factor.

I. RELINQUISHED SUPPORT SHOULD REDUCE THE INTERIM CAP

Sprint supports the proposed amendment to the interim cap rule, for several reasons. First, this amendment reduces the serious anti-competitive consequences resulting from a re-distribution of relinquished support to other CETCs. ETCs generally relinquish or limit their high-cost USF receipts in order to satisfy a transaction-related requirement rather than because they no longer need or have use for such support.[2]

---

[2] Sprint committed to reduce its high-cost USF as a condition of its transaction with Clearwire (*see Sprint Nextel Corp. and Clearwire Corp., Applications For Consent to Transfer Control of Licenses, Leases, and Authorizations*, 23 FCC Rcd 17570 (2008) ("*Sprint-Clearwire Order*"); Verizon committed to reduce its CETC high-cost USF as a condition of its acquisition of Atlantis Holdings (*see Applications of Cellco Partnership d/b/a Verizon Wireless and Atlantis Holdings LLC for Consent to Transfer Control of Licenses, Authorizations, and Spectrum Manager and De Facto Transfer Leasing Arrangements*, 23 FCC Rcd 17444 (2008) ("*Verizon-Alltel Order*"); AT&T agreed to a cap on its high-cost USF receipts as a condition of its acquisition of Dobson (*see Applications of AT&T Inc. and Dobson Communications Corp. for Consent to Transfer Control of Licenses and Authorizations*, 22 FCC Rcd 20295(2007); and Alltel agreed to a cap on its high-cost USF receipts as a condition of its transfer of control to Atlantis Holding (*see Applications for Alltel Corp., Transferor, and Atlantis Holdings, LLC,*

Footnote continued on next page

Under the current CETC cap mechanism, if a CETC (carrier A) meets its support reduction commitment by relinquishing its ETC designation, it is put at a double competitive disadvantage vis-à-vis other CETCs in that state: not only does carrier A receive fewer universal service support dollars in absolute terms; carrier A's relative support also is eroded if its foregone support is re-distributed to other CETCs. Such a result is not conducive to a robust competitive market.

Second, simply re-distributing relinquished support does nothing to reduce the current USF contribution burden on end users. In adopting the various CETC USF support reduction requirements, the Commission's stated rationale has been that such phase-outs/caps would help to control the growth of the high-cost fund.[3] Reducing the overall size of the high-cost USF (distributions to both competitive *and* incumbent ETCs) would ease the contribution burden on end users and help to ensure the long-term sustainability of the USF. However, this goal can only be achieved by making the pie smaller, not by changing the size of each slice of the existing pie.

Third, re-distributing relinquished support to other CETCs for their voice offerings does little to assure broadband deployment. The current high-cost USF does not officially support broadband services, and ETCs thus are obliged to use all such support to expand and maintain their voice (not broadband) networks. Re-distributing existing high-cost support for "potentially duplicative legacy voice services"[4] and

---

Transferee, for Transfer of Control of Licenses, Leases and Authorizations, 22 FCC Rcd 19517 (2007)).

[3] *See, e.g., Sprint-Clearwire Order* at para. 108; *Verizon-Alltel Orde*r at para. 196; *Implementation Order*, para. 10 (citing the Commission's goal of "reining in high-cost universal service support disbursements").

[4] *Implementation Order*, para. 1.

networks (rather than encouraging investment in state-of-the-art broadband networks) would be inefficient and a poor use of limited resources.

II. BROADBAND SUPPORT SHOULD NOT COME FROM THE CURRENT DYSFUNCTIONAL HIGH COST FUND

While Sprint agrees that any foregone high-cost USF support resulting from ETC relinquishments should not be re-distributed to other carriers, such foregone support should not be reserved as a "down payment on proposed broadband universal service reforms" (NPRM, para. 20). Sprint supports many of the goals expressed in the National Broadband Plan; however, we have reservations about some of the details of the proposals which have been put out for public comment.[5] It could take many months or even years for the Commission to craft specific broadband USF reforms that are competitively neutral and otherwise in the public interest, and that can sustain possible judicial review. Until such reforms have been adopted and are ready for implementation, any reserved funds will lie fallow and unproductive. Given the double-digit USF contribution factors still in effect, Sprint believes that any foregone and unallocated high-cost USF support would be better used to decrease the contribution burden than to create a broadband reserve fund.

Moreover, reserving foregone USF support to "minimize unnecessary volatility in the contribution factor" (*Implementation Order*, para. 22) assumes, erroneously, that the contribution factor for a broadband USF will be higher than the current contribution factor. However, the Commission has indicated that it will issue a NPRM in Q4 2010 to

---

[5] *See, e.g.,* Sprint's July 12, 2010 comments on the Connect America Fund (CAF) (WC Docket No. 10-90). Among other things, Sprint is concerned that the CAF's unilateral

Footnote continued on next page

consider changes to the USF contribution methodology,[6] and it is possible – even likely -- that a revised USF contribution factor (either a new factor for a new broadband USF or a revised factor for the existing USF) will be lower than the current factor. If the Commission does amend/broaden the contribution base, reserving foregone funds today based on the existing contribution methodology has the effect of forcing today's end user interstate telecommunications consumers to pay more to support a future USF than the Commission will have determined is their fair share.

Finally, Sprint urges the Commission not to lose sight of the need to reform the rules that govern distribution of high-cost USF support to incumbent wireline local exchange carriers, and not concentrate solely on reducing and even eliminating support to competitive ETCs. Incumbent LECs receive approximately two-thirds of all federal high-cost USF subsidies,[7] the bulk of which is computed using an economically irrational embedded cost methodology – a cost basis which the Commission has recognized "would lead to subsidization of inefficient carriers at the expense of efficient carriers and could create disincentives for carriers to operate efficiently."[8] Consistent with the long-held universal service principle of competitive neutrality, the Commission should move as aggressively to reduce and eventually eliminate legacy high-cost support to incumbent ETCs as it is for legacy support to competitive ETCs.

---

emphasis on speed and the proposal to limit CAF support to one carrier per geographic area could foreclose or impede competition in the supported markets and beyond.

[6] *See Proposed 2010 Key Broadband Action Agenda Items.*

[7] *See* USAC Form HC01 for third quarter 2010.

[8] *Federal-State Joint Board on Universal Service, First Report and Order*, 12 FCC Rcd 8776, 8901 (para. 228) (1997).

Respectfully submitted,

SPRINT NEXTEL CORPORATION

Norina T. Moy

Charles W. McKee
Vice President, Government Affairs
Federal and State Regulatory

Norina T. Moy
Director, Government Affairs

900 Seventh St. NW, Suite 700
Washington, DC 20001
(703) 433-4503

October 7, 2010

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing Reply Comments of Sprint Nextel Corp. was filed electronically or via US Mail on this 7th day of October, 2010 to the parties listed below.

Norina T. Moy

Norina T. Moy

Antoinette Stevens
Telecommunications Access Policy Division
Wireline Competition Bureau
Federal Communications Commission
Antoinette.Stevens@fcc.gov

Charles Tyler
Telecommunications Access Policy Division
Wireline Competition Bureau
Federal Communications Commission
Charles.Tyler@fcc.gov

Best Copy and Printing, Inc.
Portals II
445 12th St., SW, Room CY-B402
Washington, DC 20554
fcc@bcpiweb.com